

Dart Container buys 40-acre industrial site in Otay Mesa

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OTAY MESA — A major manufacturing company has paid \$11.3 million for 40 acres of industrial land, and a 10-acre wetlands parcel at Siempre Viva and La Media roads on Otay Mesa.

The 40 acres have been approved for 500,000 square feet of industrial development.

The buyer was **Siempre Viva Road Development LLP**, c/o **Dart Container** of Mason, Mich., reportedly the world's largest manufacturer of insulated foam cups.

The property seller (assessor's parcels 646-110-10, 37 and 38) was **PCCP SG Kearny Otay JRY, LLC**.

The seller is composed of Los Angeles-based **Kearny Real Estate Co. and Pacific Coast Capital Partners**, of El Segundo and San Francisco, and **Keeton Construction**, of Temecula.

Rob Hixson, a senior vice president of **CB Richard Ellis** (NYSE: CBG), and Rob Hughes, of **Grubb & Ellis**

(NYSE: GBE), represented the buyer.

Darren Mullins, principal, and Erik Parker, of **Cassidy Turley/BRE Commercial**, represented the seller.

Mullins and Hixson, the Otay Mesa Community Planning Group chair, reported Kearny had paid just \$4.8 million for the properties in the summer of 2005.

The property's tentative map on the 40 acres calls for as much as 500,000 square feet of industrial buildings on the 50 acres.

"This is just unimproved farmland at this point," said Dart real estate manager Steve Mills.

Until the time comes to develop the property, plans call for storing truck trailers on the secured site.

The facility will act as a staging area and as support for a 50-acre manufacturing complex in Tijuana.

As for why price of the 40-acre parcel more than doubled during a time when the economy has hit the skids, Hixson and Mullins said Kearny is selling a property with an approved tentative map.

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Otay Mesa

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The 10-acre piece is a wetlands that sold for \$300,000 as a mitigation parcel.

Kearny began buying Otay Mesa property in the summer of 2005 as part of a three-prong strategy to buy property in different parts of Otay Mesa.

The acquisitions included the Siempre Viva Industrial Park property where Dart will be located, the Britannia Industrial Park and 311 acres — to be known as the Otay Crossings Commerce Park — that surround a planned second Otay Mesa border crossing.

Other land transactions in Otay Mesa included Gil Martin, who paid \$6.59 million for 11.2 acres at Siempre Viva and Britannia in 2007, and constructed two furniture warehouse buildings totaling about 210,000 square feet.

Kearny Real Estate was very bullish on Otay Mesa when it

purchased the properties five years ago.

“Our conviction in the Otay Mesa submarket stems from the inexpensive land prices relative to other infill Southern California markets,” said Kearny Vice President John Bragg.

“With greater access via state Route 125 and the Highway 905 improvements, and the significant residential development to the north, the Otay market is poised to take on a new character — one that will not only continue to serve the needs of the maquiladora market, but will also serve the needs of burgeoning local business.”

What Kearny didn't count on was the national economy's collapse.

When Kearny purchased its land, in 2005, it seemed that developers couldn't build fast enough.

Today, depending on the survey, there is plus- or minus-3.5 million square feet of vacant industrial space on the mesa.

Colliers International reported for example that Otay Mesa had 3.3 million square feet of industrial space available translating to a 22.8 percent direct vacancy at mid-year.

The fact that Otay Mesa returned 48,367 square feet in the second quarter by Colliers' accounts doesn't help either.

Bragg, who noted that his partnership paid more than \$23 million for the 311-acre Otay Crossings property in 2007, said Tuesday that it is a good thing the eventual 2 million-square-foot development isn't coming on line.

“I'm glad we have 2-1/2 years before this park is ready,” Bragg said.

About 100 acres of that property is expected to be condemned for the new border crossing.

“They are targeting 2012 for the first shovel in the ground and they want to be open by 2015,” Bragg said.

Hixson said in the meantime, there may be some tenants out there to fill the existing spaces.

While he couldn't reveal all the details, Hixson said **Costco Wholesale Corp.** (Nasdaq: COST) is buying a building or buildings for 60 cents-per-square-foot.

“That's way below replacement cost,” Hixson said.

Earlier this year, **FedEx Ground** opened a 129,000-square-foot package distribution center in East Otay Mesa. That facility is projected to have a workforce of 230, along with space for about 70 vans.

“We're getting good users and buyers of land,” Hixson said.

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